

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 NSC-05

SS-15 STR-04 CEA-01 PA-02 PRS-01 IO-13 /118 W

-----290418Z 030646 /13

R 281421Z APR 77

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2858

INFO AMEMBASSY ATHENS

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

UNCLAS DAMASCUS 2713

E.O. 11652: N/A

TAGS: ECON EFIN SY

SUBJ: MINISTER ECONOMY COMMENTS ON ECONOMY; DENIES

DEVALUATION RUMORS

REF: (A) DAMASCUS 2615, (B) AGRICULTURAL SITUATION REPORT
(SY 7001), 2/17/77

1. DR MUHAMMAD IMADI, MINISTER ECONOMY AND FOREIGN TRADE,
GAVE TISHRIIN NEWSPAPER APRIL 21 OVERVIEW OF SYRIAN ECONOMY
AND DENIED CURRENT RUMORS OF DEVALUATION. ECONOMIC
SITUATION, DESPITE DEFENSE EXPENDITURES AND GROWING
DEVELOPMENT REQUIREMENTS WAS DESCRIBED AS REASONABLE.
GROSS NATIONAL INCOME INCREASED FROM SL 6.5 BILLION IN
1970 TO SL 22 BILLION IN 1976. SYRIA'S TRADE BALANCE
REMAINS IN DEFICIT
CIT AS IN THE CASE OF ALL DEVELOPING
COUNTRIES BECAUSE OF THE NEED TO IMPORT DEVELOPMENTAL
GOODS AS WELL AS GOODS AND SERVICES. GREAT EFFORTS ARE
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UNDERWAY TO EXPAND EXPORTS. CONSIDERING THAT 75 PERCENT
OF IMPORTS ARE MADE BY THE PUBLIC SECTOR, THERE IS NO
NEED TO DEVALUE SINCE IT WOULD NOT AFFECT IMPORTS AND
EXPORTS. GOVERNMENT POLICY IS TO STABILIZE PRICES. THE
PRICES OF RICE, SUGAR, BREAD AND PETROLEUM (SIC)
PRODUCTS HAVE CHANGED VERY LITTLE. THE RATE OF
TAXATION FOR SYRIAN CITIZENS VARIES FROM 11 TO 12

PERCENT WHILE IN OTHER STATES IT IS FROM 35 TO 40
PERCENT. FINALLY, THERE IS NO PLAN TO ISSUE ONE
THOUSAND LIRA NOTES.

2. COMMENT: DR IMADI'S STATEMENT THAT THERE WILL BE
NO DEVALUATION APPEARS REASONABLE (SEE REFTTEL).
DESPITE HIS STATEMENT THAT PRICES ARE BEING KEPT LOW
ON STAPLES THERE HAVE BEEN SOME SMALL CHANGES. GASOLINE
PRICES HAVE RISEN TO 75 PIASTRES (\$.19) PER LITER WHICH
APPEARS HIGH ENOUGH TO REFLECT THE REAL COST OF
PETROLEUM AND PERHAPS COVER SOME OF THE SUBSIDY IN
THE CONTROLLED COST OF HEATING FUELS. FLOUR PRICES
HAVE SHOWN NO CHANGE AND ARE STILL SUBSTANTIALLY
SUPPORTED AT BELOW WORLD PRICES. ON THE OTHER HAND,
RICE IS SOLD TO CONSUMERS AT ABOUT WORLD PRICES WHILE
SUGAR AND COFFEE ARE SOLD ABOVE WORLD PRICES (FOR
DETAILS SEE REF B).

3. IMADI REFERRED TO THOUSAND LIRA NOTES IN AN EFFORT
TO DEFUSE A NEW SET OF RUMORS THAT LARGE NOTES WERE
BEING ISSUED IN PREPARATION FOR DEVALUATION. THE
UNEXPECTED APPEARANCE OF FIVE HUNDRED LIRA NOTES IN
MARCH HAD GIVEN CREDENCE TO EARLIER DEVALUATION STORIES.
A CENTRAL BANK OFFICIAL TOLD EMBOFFS THE LARGER NOTES
HAD BEEN ISSUED BECAUSE THE PAKISTANI COMPANY WHICH
PRINTED THE HUNDRED LIRA NOTES HAD DEFAULTED ON ITS
CONTRACT AND OLD 500 LIRA PLATES HELD BY A DUTCH
COMPANY HAD BEEN RESUSCITATED IN ORDER TO COVER THE
GAP.

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Message Attributes

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Disposition Remarks:
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